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No. 89 - 149

Supreme Court, U.S.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1989

EVERPURE, INC.,

Petitioner,

v.

CUNO, INC.,

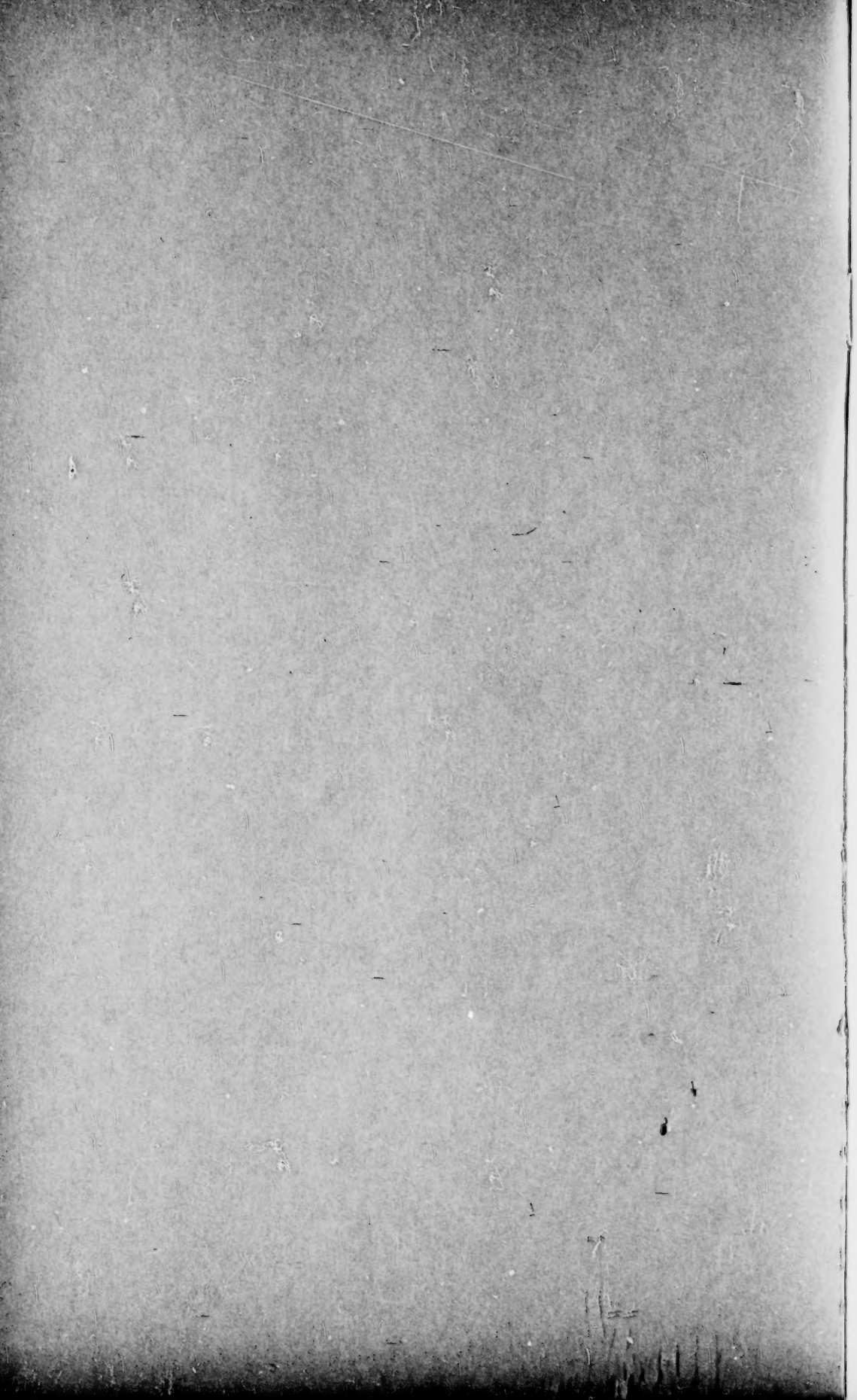
Respondent.

On Petition For A Writ Of Certiorari To The United
States Court Of Appeals For The Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF QUESTIONS PRESENTED

As stated by the petitioner, the questions presented are flawed by their focus on the alleged "material part" of the patented combination. With respect to the doctrine of permissible repair, the "material part of the invention" test was expressly struck down by this Court in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961). The questions presented by the petitioner are further flawed by their failure to recognize that a Cuno modified cartridge does *not* replace unworn parts of a spent Everpure cartridge because when the filter element sealed within the Everpure cartridge is spent, the entire cartridge is, of necessity, spent.

Accurately stated, the question presented is as follows:

Is it not correct and fair, as both the district court and the Federal Circuit held, that the doctrine of permissible repair permits the purchaser of an Everpure water filter assembly to replace the cartridge, when it is spent, with a Cuno modified cartridge, given that the Cuno modified cartridge is a one-on-one replacement for a spent Everpure cartridge?

RULE 28.1 STATEMENT

Commercial Intertech Corp. is the parent of respondent, Cuno, Inc. Cuno has no subsidiaries. The following companies are affiliates of Cuno:

Water Factory Systems (U.S.A.)
Orange County Metal Works (U.S.A.)
Commercial Hydraulics Pty., Ltd. (Australia)
Cuno Pacific, Pty., Ltd. (Australia)
Commercial Intertech do Brasil, Ltda. (Brazil)
Commercial Intertech, Ltd. (Canada)
Commercial Hydraulics Bedford Ltd. (England)
Commercial Hydraulics Gloucester Ltd. (England)
Commercial Hydraulics Keelavite Ltd. (England)
Commercial Hydraulics Liverpool Ltd. (England)
Astron S.A.R.L. (France)
Cuno Europe S.A. (France)
Commercial Intertech GmbH (Germany)
Commercial Hydraulics S.r.l. (Italy)
Cuno KK (Japan)
Commercial Intertech S.A. (Luxembourg)
Commercial Hydraulics AB (Sweden)

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RESPONDENT'S BRIEF IN OPPOSITION

Respondent, Cuno, Inc. ("Cuno"), respectfully requests that this Court deny the petition of Everpure, Inc. ("Everpure") for a writ of certiorari, which seeks review of the judgment and opinion of the United States Court of Appeals for the Federal Circuit, reported at 875 F.2d and reprinted in the Appendix to the petition at pages A1-A12.

COUNTERSTATEMENT OF THE CASE

A. Both The District Court And The Federal Circuit Emphasized The Lack Of Merit In Everpure's Position

The Federal Circuit stopped just short of declaring frivolous the same arguments that Everpure now presents to this Court. It was only the presence of the adapter in the Cuno modified cartridge that moved the appeal "just over the line marked 'frivolous' " (A6). As the court observed, "Everpure's effort to force a trial . . . is regrettable on the face of all the undisputed facts . . ." (A6).

The district court was likewise struck by the lack of merit in Everpure's arguments, noting the "paucity of authority supporting plaintiff's position and the imprecision in the way these cases have been analyzed" (A26). With respect to the issue of permissible repair, the district court stated that, "A review of just some of the case law illustrates the applicability of the repair doctrine . . ." (A23). Similarly, with respect to Cuno's independent defense of implied license, which Everpure's petition ignores, the district court observed that Everpure "cited no case and made no sound argument to support the inapplicability of the implied license principle" and that Everpure suggested "questions of fact which are non-existent" (A24).

Just as both courts that have considered Everpure's arguments have decisively found them to be without merit, so too, Everpure's petition, which raises these same arguments, is without merit.

B. The Proceedings In The District Court

The procedural history leading up to the grant of summary judgment is important in view of Everpure's suggestion that it was denied a full opportunity to present its case (Cert. Pet. at 8-9). On April 11, 1988, Everpure commenced this action by filing a complaint and a motion for a preliminary injunction. A three day hearing was held on the motion just one week later, at which time Everpure had an opportunity to present witnesses and evidence and a rebuttal period to respond to Cuno's defenses of permissible repair and implied license. In essence, a trial on the merits was held over those three days, a trial for which *Cuno* had less than one week to prepare.

Following the hearing, the district court set a briefing schedule giving Everpure the right to reply to Cuno's defenses. During the post-hearing briefing period, Cuno moved for summary judgment of noninfringement based upon the doctrines of permissible repair and implied license.

The district court reviewed all of the evidence and the briefs and concluded that not only was a preliminary injunction unwarranted, but also, summary judgment dismissing the complaint was mandated. The court was singularly unpersuaded by Everpure's arguments, which were based on a "paucity of authority", "imprecision" in analysis, and "non-existent" questions of fact (A24,26).

The court concluded that, as a matter of law, the replacement of a spent Everpure cartridge in an Everpure filter assembly, with a Cuno modified cartridge, comprising an adapter and a cartridge, is a permissible repair and, alternatively, that the use of a Cuno modified cartridge with an Everpure head is authorized by an implied license granted by Everpure to its customers (A25). Therefore, a customer who replaces a spent Everpure cartridge

with a Cuno modified cartridge does not directly infringe the asserted claims of Everpure's patent (A25). As the court noted, it did not need to reach the questions of Cuno's alleged contributory and induced infringement of Everpure's patent, since direct infringement must be present in order for there to be contributory or induced infringement (A25).

C. The Federal Circuit's Affirmance Of the District Court's Judgment

Everpure took an appeal of the district court's grant of summary judgment to the Federal Circuit, which has exclusive jurisdiction over appeals from final judgments in patent cases. 28 U.S.C. § 1295(a). The Federal Circuit, by a 2-1 vote, found that summary judgment was properly granted (A16).

The court's opinion, written by Chief Judge Markey, expressly rejected Everpure's argument that summary judgment was inappropriate because there is a genuine issue of material fact as to whether or not the filter element sealed within the Everpure cartridge is alone replaceable (A4). The court explained why this alleged issue of fact is completely irrelevant here:

Everpure correctly states that it is replacement of worn or spent parts in a patented combination that constitutes repair and not reconstruction [citation omitted]. Everpure, however, is "hoist on its own petard," for it seals its filter into its cartridge. Everpure and Everpure alone made the business decision to sell disposable cartridges and to render its filter irreplaceable without replacement of the entire cartridge. Everpure submitted no affidavit that would raise a material fact question of whether owners of Everpure's assembly could expose and replace the filter without cutting, bending, distorting, and then

rebuilding, the cartridge. That such action by the owner of the combination is neither practical nor feasible is illustrated by the label on Everpure's disposable cartridge. That label emphasizes "Quick Change Cartridge," instructs owners to "Service with a new cartridge . . . at least once a year", and contains illustrated instructions on changing the cartridge, not the filter. Thus Everpure has designed and conducts a business scenario in which the entire cartridge, including its sealed-in neck and filter, is spent when the filter wears out . . . [footnote omitted]. It is at least difficult to accept the notion that one who purchases a disposable cartridge under instructions to replace it at least yearly is guilty of infringement when the buyer does precisely that (A4-5).

In essence, the Federal Circuit correctly and logically found that since Everpure seals its filter within the cartridge, the entire cartridge is actually spent when the filter is worn out, even though discrete elements of the cartridge may not be separately "worn out".

In so concluding, the Federal Circuit relied on the sound precedent of decisions from both the Second and Third Circuits. In *Payne v. Dickinson*, 109 F.2d 52 (3d Cir.), *cert. denied*, 310 U.S. 637 (1940), the patentee argued that the accused infringer was infringing by supplying customers with replacement needles in hubs even though only the needles and not the hubs wore out. The court rejected the argument because the customer could not replace just the worn needle which was securely inserted in the hub. While replacement of only the needle could be done at the factory, it was "well nigh impossible" for the customer to do so. *Id.* at 54. Thus, it was a permissible repair to replace the entire hub and needle assembly when the needle wore out.

The Federal Circuit also relied on the Second Circuit's decision in *Elec. Auto-Lite Co. v. P. & D. Mfg. Co.*, 109 F.2d 566 (2d Cir. 1940) (Circuit Judges L. Hand, A. Hand and Chase writing *per curiam*), which held that a customer was entitled to replace an entire breaker arm and not just the worn out contact points attached to the arm.

The Federal Circuit flatly rejected Everpure's argument that the presence of the adapter constitutes a reconstruction because of the resulting change in the direction of water flow:

That the channels in the neck of Everpure's unpatented cartridge and those in the adapter are different is inconsequential. First, the neck is part of the spent cartridge. Second, "there is no legally recognizable or protected 'essential' element, 'gist' or 'heart' of an invention in a combination patent." *Aro*, 365 U.S. at 345, 81 S.Ct. at 604, 128 USPQ at 359. As the district court indicated, it is of no moment that Cuno chose to supply an adapter with its cartridge, rather than supplying a cartridge otherwise compatible with Everpure's head. The change in water flow does not constitute reconstruction because the direction of flow is irrelevant to the nature and function of the patented combination. (A5-6).

Based upon the foregoing, the court correctly concluded that "a buyer commits no direct infringement of claims 1, 4, 5, or 6 when replacing Everpure's spent cartridge with an adapter-cum-cartridge, and, as above indicated, without direct infringement there can be no contributory or induced infringement" (A6).¹ Having concluded that

¹ The asserted claims of the Everpure patent are combination claims requiring the presence of all of the separate components of the Everpure filter assembly. Everpure did not assert other claims that cover the individual components of the filter assembly.

Cuno was entitled to summary judgment on the basis of permissible repair, the Federal Circuit did not reach the implied license issue.

Judge Newman, who dissented from the majority's decision on permissible repair, also did not address the implied license issue. With respect to the permissible repair issue, Judge Newman was persuaded, as neither the district court nor the other members of the appellate panel were, by Everpure's argument on the physical separation in Cuno's modified cartridge of the elements of a spent Everpure cartridge. Essentially, Judge Newman lost sight of the fact that a Cuno modified cartridge is a *one-on-one* replacement for a spent Everpure cartridge. It appears that Judge Newman did not appreciate that while a Cuno modified cartridge consists of two pieces—an adapter and a cartridge—the modified cartridge duplicates *only* those features of a spent Everpure cartridge, which a customer is entitled to replace under the doctrine of permissible repair.

The only conclusion that can be drawn from Everpure's argument, adopted by Judge Newman, is that Cuno could supply a replacement cartridge that is a visual duplicate of the Everpure cartridge, but not one that is a one-on-one replacement with a somewhat different appearance. As the district court and the Federal Circuit decisions plainly recognize, making such a distinction is illogical, unfair, and wholly unsupported by the controlling law.

SUMMARY OF REASONS FOR DENYING THE WRIT

Everpure's petition asks this Court to exercise its certiorari jurisdiction to review a decision that was carefully considered and correctly decided by two courts. Applying established principles of the doctrine of permissible repair, the Federal Circuit correctly affirmed the district court's grant of summary judgment of noninfringement. Both courts recognized that, while the presence of an adapter in the Cuno modified cartridge barely saved Everpure's suit from being frivolous, it in no way changes the fact that this is a classic case of permissible repair due to the simple reason that the Cuno modified cartridge is a one-on-one replacement for a spent Everpure cartridge.

Apart from the issue of permissible repair, the Federal Circuit's judgment is fully supported by the doctrine of implied license. The undisputed facts show that Everpure sells filter heads separately from its cartridges and places no restrictions on their subsequent use. This Court has unequivocally held that such circumstances give rise to an implied license from the seller to the customer giving the customer the right to use the article for its intended purpose. This includes the right to complete the patented combination.

The petition also should be denied because the decision below is fair. Everpure receives its reward for its patent by virtue of its initial sales of filter assemblies. Its patent entitles it to no more. Nonetheless, Everpure has been using its patent for well over a decade to extract from customers "premium" prices of as much as 20-25% on replacement filters. The customer, who is entitled to repair the assembly when the cartridge wears out, should

have an opportunity to obtain competitively priced replacement cartridges from the source of its choice. Any result other than that reached below would constitute a windfall to Everpure at the expense of others.

Since its inception, the courts have embraced the doctrine of permissible repair as a necessary counterbalance to the patent grant, and this balancing must continue. The lower courts have in no way suggested that they are in need of this Court's guidance on how to apply the doctrine nor have they indicated that the doctrine needs to be refined or reconsidered. In addition, permissible repair is a relatively infrequently litigated issue, and each case turns on its own facts. For these reasons, the issue presented by the petition is not of sufficient importance to concern this Court.

The petition for a writ of certiorari should be denied.

REASONS FOR DENYING THE WRIT

A. The Federal Circuit Reached A Correct Decision That Is In Accord With An Established Line Of Precedent

In affirming the district court's summary judgment of noninfringement, the Federal Circuit applied the doctrine of permissible repair as set forth by this Court in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961). Under *Aro*, the purchaser of an article of merchandise embodying a patented combination has the right to replace a worn out or spent part of the combination. The policy reason underlying the permissible repair doctrine is a sound one that places reasonable and necessary limits on the patent grant. This Court has addressed the

limits on the patent grant once the patent owner has received his reward by virtue of the initial sale of a patented article:

Our decisions have uniformly recognized that the purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward for the use of his invention by the sale of the article, and that once that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold.

United States v. Univis Lens Co., 316 U.S. 241, 251 (1942).

The Federal Circuit has embraced *Aro*, and its decisions on permissible repair illustrate that the court has a thorough understanding of how the doctrine should be applied to various facts. See, e.g., *Porter v. Farmers Supply Serv., Inc.*, 790 F.2d 882 (Fed. Cir. 1986); *Dana Corp. v. Am. Precision Co.*, 827 F.2d 755 (Fed. Cir. 1987). Everpure's charge that the Federal Circuit has misunderstood and overextended *Aro* simply cannot withstand analysis.

The facts of *Aro* involved the customer's replacement of a worn piece of fabric with a new piece. In this case, the one-piece spent Everpure cartridge is replaced by the customer with a Cuno modified cartridge, which is comprised of two components that together encompass, one-on-one, the features of the spent Everpure cartridge. This factual distinction does not, however, take the facts of this case outside the holding of *Aro* because the focus is the article that the customer has in hand which needs to have a part replaced. As this Court said in one of the earliest, and still leading, cases on permissible repair, "It is the use of the whole of that which a purchaser buys, . . ." which must be considered by the trier of fact. *Wilson v. Simpson*, 50 U.S. (9 How.) 109, 122 (1850) (emphasis added).

Here, it is physically impossible for the customer to replace *only* the filter element in the spent cartridge. As the Federal Circuit observed, "Everpure has designed and conducts a business scenario in which the entire cartridge, including its sealed-in neck and filter, is spent when the filter wears out" (A5). In other words, it is actually the *entire Everpure cartridge* and not just the filter element that becomes spent and needs to be replaced.² Replacing the spent Everpure cartridge with a Cuno modified cartridge is conceptually indistinguishable from replacing a worn piece of fabric with a new piece, as was permitted by this Court in *Aro*.

By Everpure's own admissions, the Cuno modified cartridge is a one-on-one replacement for a spent Everpure cartridge, the latter having a substantially shorter life than the filter head, which is the other part of the patented combination. In such circumstances, *Aro* permits a purchaser of an Everpure filter assembly to replace a spent cartridge with a replacement cartridge obtained from another source. By doing so, the purchaser does not directly infringe and, therefore, under *Aro* Cuno cannot be held liable for contributory or induced infringement. *Aro*, 365 U.S. at 340-41. *See also Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed. Cir. 1986).

Thus, Everpure's criticism of the courts below for not reaching the issues of contributory and induced infringe-

² Replacing the Everpure cartridge when the filter element sealed within it is worn out is akin to replacing a light bulb when the filament sealed within the bulb is burned out. The glass surrounding the filament is still intact and the base is undamaged, but the entire bulb is removed and discarded when the filament is "spent." So, too, when the filter element is spent in an Everpure cartridge, the entire cartridge is spent and must be replaced.

ment is wholly improper. Indeed, hornbook patent law unequivocally provides that direct infringement is an absolute prerequisite to a finding of contributory or induced infringement. *See, e.g., Aro*, 365 U.S. at 341-42. For this same reason, Everpure is in error in arguing that the doctrine of permissible repair conflicts with the law of contributory and induced infringement. There can be no conflict, since permissible repair concerns what a *customer* may do when part of a patented article wears out. Considerations of contributory and induced infringement do not even arise if the customer's acts do not constitute direct infringement.

This Court need not and should not waste its scarce resources by revisiting an issue that has been correctly considered and resolved by two lower courts.

B. The Federal Circuit's Judgment Is Also Fully Supported By The Doctrine Of Implied License

Cuno also asserted the doctrine of implied license as an independent ground in support of its motion for summary judgment, and the district court held that summary judgment was appropriate on this separate ground (A24-25). In light of its conclusion on the permissible repair issue, the Federal Circuit had no need to consider the implied license issue. Even were the appellate court's judgment not supported by the doctrine of permissible repair (which it clearly is), the judgment would still be fully supported by the doctrine of implied license. For this reason, it is notable that Judge Newman's dissent on the permissible repair issue makes no mention of the implied license issue.

As established by this Court, the doctrine of implied license provides that where there is an unrestricted sale of a patented product, the buyer receives, as an incident of the sale, a right to use the product as intended:

An incident of the purchase of any article, whether patented or unpatented, is the right to use . . . it, and upon familiar principles the authorized sale of an article which is capable of use only in practicing the patent is a relinquishment of the patent monopoly with respect to the article sold.

United States v. Univis Lens Co., 316 U.S. 241, 249 (1942). Likewise, where, as here, the article sold is part of a patented combination, the purchaser has a right to complete the combination. See *Beckman Instruments, Inc. v. Technical Dev. Corp.*, 730 F.2d 1076, 1086 (7th Cir.), *cert. denied*, 469 U.S. 858 (1984). Although Everpure argued otherwise, the undisputed testimony of record shows that Everpure sells filter heads separately from its cartridges and places no restrictions on their subsequent use. In *Beckman*, the court addressed the implied license that arises out of an unrestricted sale of part of a patented combination:

Unless he is told otherwise at the time of sale, the purchaser quite reasonably expects that he can acquire those accessories necessary for full use of the equipment without running afoul of the patent laws.

Id. at 1086.

The district court correctly concluded that purchasers of Everpure filter heads have an implied license to use and complete the patented combination and are free to purchase the remaining element of the patented combination from unlicensed sources such as Cuno. As the lower court stated, "Plaintiff has cited no case and made no sound argument to support the inapplicability of the implied license principle. It suggests questions of fact which are non-existent." (A24).

This Court should deny the petition because the judgment below is fully supported by the independent ground of the doctrine of implied license.

C. The Federal Circuit's Decision Is Not Just Correct; It Is Fair

In addition to being in accord with established precedent, the Federal Circuit's decision is a fair one. The decision permits the customer, who has already paid tribute to Everpure by virtue of the initial sale, to obtain competitively priced replacement parts. The result Everpure urges would, by contrast, operate as a windfall to Everpure and a penalty to its customers.

Indeed, for over a decade Everpure admittedly has been using its patent to charge customers as much as 20-25% premiums for replacement cartridges (Hearing on Motion for Prelim. Inj., April 19, 1988, Test. of Richard W. Suda, pp. 24-25; Test. of James P. Vosseller, pp. 38, 48). This Court has clearly and forcefully stated that fairness requires that patentees must be prohibited from overextending their patent rights, as Everpure has attempted to do here. *See, e.g., United States v. Univis Lens Co.*, 316 U.S. 241, 250 (1942) (Sale of patented article "exhausts the monopoly in that article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article").

Contrary to Everpure's claim that the Federal Circuit's decision provides a means for competitors to obtain a "free ride" on a patented invention, the decision is fair and equitable: it both recognizes the necessary limits on the patent monopoly and it enables consumers to obtain replacement parts at a reasonable cost.

D. Everpure's Argument On "The Material Part Of The Invention" Is A Red Herring, And The Real Issue Is Not Sufficiently Important For This Court To Waste Its Scarce Resources On

Everpure's petition sets forth several allegedly different issues which essentially boil down to a single issue—whether the fact that the Cuno modified replacement cartridge embodies a "material part of the invention" takes this case out of the realm of permissible repair. Nearly thirty years ago, in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961), this Court dealt a fatal blow to this very argument:

The rule for which respondent contends is: That when an element of a patented machine or combination is relatively durable—even though not so durable as the entire patented device which the owner purchased—relatively expensive, relatively difficult to replace, and is an "essential" or "distinguishing" part of the patented combination, any replacement of that element, when it wears out or is otherwise spent, constitutes infringing "reconstruction," and, therefore, a new license must be obtained from, and another royalty paid to, the patentee for that privilege. We cannot agree. For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant.

Id. at 344.

The rejection of the "material" or "heart" of the invention as an element of a permissible repair analysis is so engrained in patent jurisprudence that when it was recently advanced before the Federal Circuit, the appeal was found to be frivolous. *Porter v. Farmers Supply Serv., Inc.*, 790 F.2d 882, 887 (Fed. Cir. 1986). Everpure's "material part of the invention" argument is a red herring

that has no place in the permissible repair analysis of this case. To the extent that Everpure addresses the “material part of the invention” as it may be relevant to a contributory infringement analysis, it is likewise completely irrelevant here where there is no direct infringement (A6).

The real issue presented by the petition is the continuing existence of the long-established doctrine of permissible repair, an issue to which the answer is so obvious that it need not give this Court pause. The lower courts have readily embraced the doctrine, recognizing the important role it plays in providing a counterbalance to the rights of patentees. Moreover, the courts have applied the doctrine without criticism, reluctance, or difficulty, and have never suggested that it is in need of another look by this Court.

In addition, the permissible repair issue is not one that is frequently before the lower courts since it only arises in those relatively rare instances where the accused product is a replacement part for a patented combination, rather than an alleged copy of the patented article itself. Since the Federal Circuit’s inception in 1982, the repair doctrine has only been addressed by the court in six of its reported decisions, including this case. Furthermore, each time the issue does arise, its resolution is limited to the facts at bar. Finally, insofar as this case is concerned, the repair issue is of even less import since the seventeen year term of the patent expires in less than one year.

The petition should be denied because this case presents no issue of such importance that an expenditure of this Court’s scarce judicial resources is warranted.

CONCLUSION

Everpure's petition asks this Court to overturn an established line of authority through which the doctrine of permissible repair has flourished in harmony with the exclusionary rights of a patentee. The doctrine of permissible repair is necessary and it is fair. Accordingly, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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